

THE ARIZONA REPUBLIC

As reprinted from 06/18/2008

State budget talks may hold up paychecks

PHOENIX - Tens of thousands of state employees could lose their jobs at least temporarily, and thousands more who continue working might not receive their paychecks when they're next due in the first week of July.

That's if state lawmakers and Democratic Gov. Janet Napolitano fail to come to agreement on a 2009 budget before the fiscal year begins July 1, a prospect that grows more real with each day that passes without a breakthrough in negotiations.

The state is facing a 2009 budget deficit that has grown to \$2.2 billion, roughly one-fifth the size of the entire general fund.

On Tuesday, a rare joint hearing of the House and Senate Appropriations Committees was called to consider fallout from what could amount to the shutdown of a substantial piece of state government. Napolitano's office maintains that critical or mandated state services would continue.

More than 30,000 employees under the state personnel system would be affected, said Arizona Department of Administration Director William Bell. Of those, about 26,000 face temporary layoffs, with the potential that another nearly 4,000 would be terminated outright. For offices that continue functioning, such as the Secretary of State's Office or Governor's Office, it's uncertain how employees would be paid.

That's because both the Department of Administration and Treasurer's Office would be shuttered. So, even with money in state coffers, the necessary staff wouldn't be in place to process paychecks, the next of which are due July 2.

"I would hope there's some sense of urgency for (legislators) generated by all this," said Senate Appropriations Committee Chairman Bob Burns, a Peoria Republican. "We're running out of time."

Both the Governor's Office and GOP legislative leaders, meanwhile, downplayed talk of a shutdown. House Speaker Jim Weiers said lawmakers "are making huge progress" toward a budget deal, and the Phoenix Republican said lawmakers may even be called to work Friday. That would be a first this legislative session.

Even as the potential for a budget meltdown grows, there is broad disagreement about what it would mean for state services if July 1 arrives without a budget for fiscal 2009.

On one hand, some legislators speculate that virtually all state government would cease to operate. Sen. Jack Harper, a Surprise Republican, wondered aloud whether Arizona National Guard troops could be called to help manage state prisons in the absence of corrections officers.

But Napolitano's staff asserts that with or without a budget, constitutionally mandated state functions such as attorney general and superintendent of public instruction would continue. So would federally required programs, as well as all other state services related to public health, safety and welfare.

That means guards would remain on duty at state prisons, state police would continue to patrol the highways and the Arizona State Hospital and other care facilities would remain in operation.

Napolitano spokeswoman Jeanine L'Ecuyer blasted legislators for Tuesday's hearing, which she called a "three-ring circus."

"Instead of passing a budget, they're holding hearings on how to shut down the state," L'Ecuyer said. "It's just an unnecessary waste of time and money."

Much of the uncertainty regarding what comes next stems from the fact that the state has never gone beyond July 1 without a budget, though budgets in 2006 and 2007 were signed in the last 10 days of the fiscal year.

"There's never actually been a shutdown," Republican state Treasurer Dean Martin said. "We're writing the rulebook as we go because this has never happened before."

Rep. John McCommish, a Phoenix Republican involved in closed-door budget negotiations, offered this counterweight to talk of layoffs and late paychecks: "For those state employees who are worried, I'm confident we'll have a budget by July 1."

By Mathew Benson **The Arizona Republic**